Table of Contents

Definition of the Issue..... 1

Development and Features of Rent Review in Ontario..... 1

Major Arguments for and Against Rent Review..... 5

Recent Studies of Rent Review in Ontario..... 8

Political Debate and Current Issues Associated with Rent Review..... 12

- Adjustment to the Six Percent Guideline..... 12
- The $750/Month Rent Exemption Level..... 14
- Exemption of Post-1976 Units..... 15
- Reduction in Landlord Financing Costs..... 15
- Rent Review and the Provincial Restraint Program..... 16
- The Cadillac Fairview Apartment Block Sale..... 17

Footnotes..... 21

APPENDIX A - Average Results of Rent Review Hearings - Ontario 1976-1982

APPENDIX B - Terms of Reference for the Ontario Government Rent Review Inquiry - November 1982

Definition of the Issue

Rent control has a direct impact upon the economic position of landlords and tenants. Since the Ontario election of 1981, considerable debate has focussed on ways of adjusting the rent review guideline of 6 percent to reflect more closely the current rate of inflation. Others have argued that the rent review provisions should be expanded to give greater tenant protection, especially during this period of wage restraint. The recent sale of a major block of rental properties in Metropolitan Toronto by Cadillac Fairview generated widespread concern and prompted the interim adjustment of the rent review system and the launching of a major inquiry into the structure of the program.

The development industry, in general, regards rent review as an inefficient intervention in the rental housing market which discourages new construction. Tenant interests regard rent review as an essential moderating influence upon rent increases during a period of low vacancy rates and high inflation.

Development and Features of Rent Review in Ontario[1]

Rent controls were introduced in 1975 in response to rapidly escalating rents accompanied by low vacancy rates, particularly in Ontario's largest urban centres. The establishment of a program to control rents was also associated with the emergence of rent control and tenant protection as a major issue in the 1975 provincial election campaign. Action by Ontario and other provinces to control rents was also related to federal initiatives to control wages and prices.

Ontario's original rent review legislation was intended as a temporary measure, which was scheduled to expire in July, 1977. A subsequent proposal extending this expiry date to the end of 1980 was never enacted. In June, 1979, due to the continuation of tight rental market conditions, the recognition of the potential political power of the province's 2.25 million tenants, and the pressures of the opposition parties during a period of minority government, the Residential Tenancies Act (Part XI - Sections 124-134) was enacted without any specific provision for the termination of rent review.

The government also originally proposed to give Cabinet the power to adjust the rent level guideline periodically. However, due largely to the influence of the opposition parties and other political pressures, the rent guideline under Section 124 of this Act was set at 6 percent.[2] Thus, any subsequent change would likely require a specific amendment to the Act which would likely precipitate a heated debate in the Legislature. While most of the recent political controversy has been associated with the question of whether to change the 6 percent guideline, it is worthwhile to note that when rent review was introduced in 1975, the rent guideline level was set at 8 percent. In 1977, due to a drop in the rate of inflation and a reduction in the Anti-Inflation Board wage guidelines, the ceiling was lowered to 6 percent.

Despite numerous ministerial statements since the 1981 election relating to the possibility of raising the guideline to match inflation more closely, it remains a specific provision of the Residential Tenancies Act. It appears that the highly sensitive nature of the rent review issue has mitigated against any upward adjustment to date. During the current provincial wage restraint program, which is in effect until the end of September 1983, Dr. Robert Elgie, Minister of Consumer and Commercial Relations, who is responsible for rent review, has

been quoted as stating: "I'm not even looking at changing it [the 6 percent guideline] at least while the restraint period is in place."[3]

The 6 percent guideline provision of Section 124 of the Act operates to allow landlords a maximum allowable rent increase, without review, up to this level. When a landlord wishes to increase the controlled rent above the guideline, the landlord must apply to the Residential Tenancies Commission. During the rent review hearing process, the Commission may consider operating costs, financing costs, capital expenditures, financial loss, improvement or deterioration in maintenance, and relief of hardship in the award of the rent increase.

In view of the stipulated grounds for which the Commission may consider a rent increase, the Ontario rent review program has been categorized by economists as a "cost pass-through" system whereby landlords are permitted to pass on their costs to tenants.[4] Rent review applies to all major types of rental accommodation from mobile home sites, single family dwellings, rooming houses, duplexes and other multiple-unit dwellings, to high-rise apartments. However, Section 134 of the Residential Tenancies Act outlines the categories of rental accommodation that are exempt from rent review. Future change in the scope of rent review could involve the modification of this section. Under this provision, rental accommodation occupied on or after January 1, 1976 is exempt from rent review. This was done in order not to discourage new rental construction. Furthermore, rent control does not apply to accommodation renting for $750 a month or more on the premise that tenants in such units do not require rent review protection. Public housing, such as rental accommodation owned or administered by the Canada Mortgage and Housing Corporation or Ontario Housing Corporation, and non-profit rental housing are also exempt from rent review. In addition, the Residential Tenancies Act, including the rent

review provisions, does not apply to: "transient living accommodation" such as motels or hotels; vacation homes; therapeutic, medical, or penal accommodation; and most living accommodation at educational institutions.

It has been estimated that, as of the end of 1981, of Ontario's rental housing stock of 1,100,000 rental units, approximately 910,000 - 920,000, or 83 to 84 percent of the total, were under controls. Of the uncontrolled rental housing stock of 185,000 - 195,000 units, approximately 84,000 units are Ontario Housing Corporation owned or operated public housing; 72,000 units are located in private accommodation built after 1976; 27,000 units are private and municipal non-profit housing; and an estimated 11,000 units rent for $750 a month or more.[5] In the urban area from Oakville to Newmarket to Ajax, including Metropolitan Toronto, Frank Clayton, a housing economist and consultant, was quoted recently as stating that some 85 percent, or 393,550 units, of a total rental housing stock of 463,000 units are under controls.[6] Since rent control has a direct economic impact upon tenants and many of the controlled units are concentrated in key urban constituencies the issue is therefore a politically sensitive one. Within Metropolitan Toronto, for example, it has been estimated that any significant change in rent review would directly affect one million residents and 38 percent of the population of the City of Toronto.[7] Since it is also widely believed that rent control has had a moderating influence on uncontrolled rents, any increase in the controlled rent guideline might also lead to accelerated rent increases in private uncontrolled rental accommodation.

A June 1982 public opinion poll conducted for the Toronto Star, in Metropolitan Toronto, indicated that 59 percent of residents opposed relaxing the 6 percent rent review guideline. In a similar March, 1982 poll, 56 percent of residents had similar feelings. Inflation and unemployment are cited as the major

reasons for this marginal increase in apparent support for rent review.[8]

Major Arguments for and Against Rent Review[9]

Supporters of rent review see it as an important means of ensuring that rental accommodation is available to tenants at affordable rates. During a time of inflation, high levels of unemployment and low vacancy rates, rent review is regarded as essential to protect tenants from the economic hardship which would result if controls were lifted. Rental vacancy rates in many Ontario urban centres are far below the 2-3 percent level which is generally considered desirable to provide for adequate mobility, choice and competition. For example, the October 1982 apartment vacancy rate for Metropolitan Toronto, according to Canada Mortgage and Housing Corporation data, was 0.5 percent. The rates for other metropolitan areas in Ontario were: Hamilton 0.6 percent; Kitchener 1.4 percent; London 3.2 percent; Oshawa 0.5 percent; Ottawa 0.2 percent; St. Catharines 1.8 percent; Sudbury 1.7 percent; Thunder Bay 0.5 percent; and Windsor 3.4 percent.

Tenants maintain that controls are needed to prevent a massive and sudden transfer of income from tenants to landlords. The Federation of Metro Tenants' Associations has estimated that if "landlords in Metropolitan Toronto [in 1982]...were to be allowed to automatically charge a 12% rather than a 6% increase,..$100M would be transferred in one year from tenants to landlords."[10] Rent review supporters also point out that the Ontario system does not "freeze" rents at unrealistically low levels. During the 1981-82 fiscal year, for example, the Commission granted an average rental increase of 14.7 percent as compared to the average increase of 19.3 percent, requested

by landlords.[11] However, concern has arisen over the operation and effectiveness of rent review in the face of the rapid sale and resale in November, 1982, of a substantial block of rental apartments in Metropolitan Toronto. Fears have arisen that the cost pass-through provisions of the Residential Tenancies Act will result in massive rent increases.

Opponents of rent controls argue that controls discourage new construction and aggravate the shortage of rental housing. In addition, it is claimed that under controls, rents are kept artifically low, which in turn stimulates demand for "cheap" rental accommodation and further aggravates the shortage of rental accommodation. With higher uncontrolled rents, substantial demand for rental accommodation by young adults and single person households would be restrained; these people would remain at home or double up. This would not cause any undue social hardship since tenants would adopt more economically realistic and modest housing expectations.

Developers argue that controls, even though they do not apply to apartments built after January 1, 1976, depress rents throughout the entire housing market. Rental returns for new construction, with the existence of a substantial segment of rent controlled housing stock, are insufficient to justify investment in new construction. Furthermore, rents in uncontrolled buildings must remain competitive with rents in comparable controlled buildings. Developers also claim that the persistence of controls leads to uncertainty since controls could, for example be extended, to cover new buildings constructed since January 1, 1976. Rental investment decisions depend upon the perception of stable and secure projected returns. The Ontario New Democratic Party, for example, advocates the extension of rent review to post-1976 rental accommodation.[12]

In the recent period, however, exceptionally high and unstable interest rates have had a particularly severe impact upon residential rental construction. If the current trend to more moderate interest rates persists, coupled with various provincial and federal tax incentives to encourage rental construction, it is conceivable that such activity could increase. In addition to interest rates, land costs and availability, tax write-off provisions, construction costs, labour supply, local planning, zoning requirements, ratepayer attitudes and local rental market characteristics also affect decisions to embark upon new rental projects. On balance, many factors affect rental housing investment decisions and even if rent controls were removed, rental housing starts would not necessarily increase.

In Alberta, for example, rent controls were removed from the last segment of the rental housing market on July 1, 1980. The Alberta situation suggests that the removal of rent controls will not, in itself, lead to a dramatic increase in rental housing starts, especially in the face of high interest rates. Alberta's rental starts were buoyed up by a major provincial housing assistance program financed from the Heritage Fund.[13]

It is also claimed that rent controls discriminate against landlords and the development industry. Rent controls were originally introduced as a temporary measure during the national program of wage and price controls. These more general controls have been terminated and it is, therefore, held to be unfair to single out landlords and control their incomes through restrictions. Furthermore, it is argued that landlords should not be funding income subsidies to tenants. This should be the responsibility of general income security and social service programs. Rising rents are a reflection of the general economic situation and are not the responsibility of landlords. Development industry interests maintain that

there have always been isolated cases of rent gouging; however, there is no indication that landlords as a class are making excessive profits. It has been estimated, using 1978 income data, that the annual cost of rent reduction due to rent review, in lost income to landlords, was $159.1M.[14]

Housing allowances, property tax credits, and/or income supplements, have been advocated as more effective alternatives to rent control, since these policies more directly address the problem of low income which is seen as the basis of housing difficulties. Rent controls on the other hand, benefit all tenants in controlled buildings, regardless of income. On the other hand, the direct cost to government of alternative housing programs, such as a system of shelter or rent allowances, would be substantial and has been estimated at $200M per year for Ontario.[15]

Under rent controls, it is claimed that landlords have less incentive and less financial ability to maintain their buildings and as a result, the quality of the rental housing stock deteriorates. Severe building deterioration and abandonment, under rent control in New York City, is often cited as a prime example.[16] The results of a major Ministry of Housing study, however, found little evidence of serious reductions in the quality of rental maintenance to date under rent review in Ontario.[17]

Recent Studies of Rent Review in Ontario

Over the past two years, there has been a series of studies, mainly by economists, on rent review in Ontario. The findings and recommendations of these studies for the most part, have been seen by tenants as opposed to controls. Since these

studies have become part of the on-going political debate on rent review, they warrant brief examination.

George Fallis, an economist at York University, in a July, 1981 study for the Ontario Economic Council, recommended the gradual removal of rent controls and their replacement by a comprehensive income security system. Fallis advocated addressing the income problem directly since "inadequate housing is just a very evident manifestation of lack of income."[18]

A 1982 study for the Ontario Economic Council by economist Richard Arnott advocated a gradual five-year phasing out of rent review. He proposed that the 6 percent rent guideline should be raised gradually and eventually eliminated at the beginning of the fifth year of a phasing-out program.[19]

This study generated heated response in the press. Supporters of rent review predicted that the lifting of controls would subject tenants to rent gouging and massive rent increases, especially during a period of low vacancy rates. A spokesman for the Minister of Consumer and Commercial Relations reiterated that the government, according to a statement by the Premier, was committed to rent control until 1985, although the guideline level might change. Housing economist, Frank Clayton, stated that decontrol should be accompanied by programs to stimulate new rental construction and supplement the incomes of individuals unable to secure decent, affordable housing in the private sector. The Urban Development Institute (UDI), expressed support for the gradual phasing out of controls with rent supplements or shelter allowances in cases of hardship.[20]

Larry Smith, a University of Toronto economist, concluded that rent review in Ontario contributed substantially to the

reduction in new rental housing starts and by keeping rents low, increased demand for rental housing and, thereby, contributed to the rental housing shortage.[21] Smith estimated that the cost of rent control in Ontario in terms of lost revenue to the three levels of government was in the order of $175M annually. Included in this estimate were tax concessions under the federal government MURB (multiple unit residential building) program, reduced provincial and municipal tax revenues due to the reduced value and income of rental buildings, lost municipal tax revenue due to reduced rental construction, lost revenue due to unemployment in the construction industry, and the cost of administering the rent control program. Smith has estimated that if rent control remains, the annual tax loss and government cost in Ontario will rise to $450M by 1985.

During the period of removing controls, Smith advocated tying rent increases to the consumer price index and the eventual replacement of controls with a shelter allowance program for low income families, which "could likely be financed with only a fraction of the funds generated by abandoning rent-control."[22]

The most recent major study, The Impact of Rent Review on Rental Housing in Ontario, was released by the Ministry of Municipal Affairs and Housing in August 1982. For 1980, it was estimated that the total cost to all three levels of government of rent control, consisting of both extra expenditures and tax revenue losses, was $99.9M. The estimated cost to landlords in lost income per year was estimated at $159.1M.[23] The estimated total 1980 cost of rent review in Ontario was in the order of $259M.

This study also raised questions about the efficiency of rent review in serving to redistribute income to those tenants with

the greatest affordability problems. With regard to an alternative approach of meeting these needs through a rental allowance program, with an estimated annual cost to Ontario of $200M, the study concluded:

> This cost would be less than the cost in 1980 to both landlords and governments combined of the rent review program. All those with affordability problems would be assisted, and the formula would not provide benefits to those who do not have an affordability need. Thus, an allowance scheme would be a more efficient way to address problems of excessive shelter payments by renters.[24]

However, the 1980 estimated cost of $200M for a rental allowance program would likely be a direct cost to the Ontario government and might be difficult to justify during the current economic climate. Such a cost might also be compared with the actual expenditure of $4.4M on the Residential Tenancy Commission for 1980-81 and the estimated expenditure of $5.5M for 1982-83.[25]

Despite assurances by the Ministry of Municipal Affairs and Housing that this study was a technical staff report that was not meant to set policy, the findings stimulated a heated response by the press and by tenant groups. The Ottawa Carleton Federation of Tenants' Associations regarded this report as an attempt to discredit rent review. The Federation criticized the report for what was regarded as its invalid assumption that the purpose of rent review was to protect low income renters. The Federation and an editorial in the Toronto Star maintained that the original purpose of rent review was to protect all tenants, regardless of income, from unconscionably high rent increases.[26] The low level of landlord response to a financial survey questionnaire, used in the preparation of this report, was also cited as

making the interpretation of some of the study results invalid.

The Toronto Star maintained that if controls were removed, rents would rise to cause increased affordability problems and that there is, therefore, no guarantee that the cost of a shelter allowance program would be less than rent review. If rents increased without controls, governments would also lose substantial revenues, through reduced sales tax revenues due to the reduced purchasing power of tenants.[27]

Political Debate and Current Issues Associated With Rent Review

Adjustment to the Six Percent Guideline

In the period since the 1981 election, extensive concern has focussed on the possible increase in the six percent rent review guideline. In April, 1981, the Ministry of Housing undertook a comprehensive survey on the impact of rent review in Ontario, which formed the basis for the major study reviewed above.[28] In September, 1981, Gordon Walker, the former Minister of Consumer and Commercial Relations, stated that due to high inflation and interest rates, the 6 percent guideline was "totally unrealistic".[29] In response to tenant fears over the security of rent controls, the Premier, later in September, 1981, reportedly responded that: "I can't look past four years [1985], but I expect controls will be around for that length of time."[30]

In October, 1981, Claude Bennett, the Housing Minister, indicated that rent controls should in some way be linked to

the inflation rate. At the same time, the Minister said he did not support double-digit rent increases. In July, 1982, George Kerr, a Conservative MPP, suggested that the rent ceiling would likely be raised to 9-10 percent.[31]

Another possibility is regional decontrol, which was favoured by Gordon Walker.[32] Under this system, the control ceiling might be removed in areas like Windsor or London, which have high rental vacancy rates and where market forces would be assumed to restrain rent increases. However, a control ceiling would be retained in low vacancy centres such as Metropolitan Toronto.

Other possible changes could include lifting controls from small landlords or setting different rates for landlords who pay their tenants' heating and electricity bills. Prince Edward Island, for example, specifies a higher rent increase ceiling where the cost of heating is included in the rent.[33]

In March, 1982, Dr. Robert Elgie, the Minister of Consumer and Commercial Relations, indicated that there were no plans to increase the 6 percent rent guideline. Again in September, 1982, Dr. Elgie repeated that there were no plans to change the guideline while the government's restraint program is in effect, i.e., until the end of September, 1983.[34] Moreover, lower interest rates which presumably somewhat lessen cost pressures on landlords and the controversy over the Cadillac Fairview apartment sale in Toronto, make it unlikely that the rent guideline will be increased in the immediate future. In a recent article, Robert Duffy, the Toronto Star columnist, saw rent review as a permanent feature in Ontario.[35]

The $750/Month Rent Exemption Level

The $750 luxury-rent-level exemption from rent review has also been the subject of debate. During his period as Minister of Consumer and Commercial Relations, Gordon Walker mentioned the possibility of introducing different exemption levels for rental units of different sizes. Any adjustment of this nature would be based on the principle that the ceiling for a smaller apartment should be lower than for a larger unit.[36]

Others have seen the $750 rent level as a plateau which landlords strive to attain in order to get out from under controls. In addition, with a series of substantial rent increases under controls, there is concern that an increasing number of rental units, particularly in the larger urban centres, have been moving beyond controls.

During debate on the Government's restraint program in September, 1982, the New Democratic Party advocated the removal of the maximum rent level exemption entirely, and the tying of the maximum rent increase granted to the Consumer Price Index for the period of October 1, 1982 to October 1, 1983. Increases above the Index would be considered to alleviate landlord bankruptcy and small owner-occupied buildings would be exempt from this proposal.[37] On the other hand, in a statement against rent controls, David Crane, the Toronto Star financial columnist, referred to the possible decontrol of rents over $600 per month, in order to alleviate the cost pressure on landlords, and to maintain controls only on lower rent accommodation.[38]

Exemption of Post-1976 Units

The exemption of units built after 1976 has also been an area of concern. Frank Clayton, the housing economist, maintains that this feature of rent review makes controlled apartments particularly attractive and places a premium on the rents of uncontrolled units. Clayton advocates the removal of controls to moderate rent increases in the uncontrolled stock.[39]

In order to combat what are seen as excessive increases in the rent of post-1976 buildings and provide equivalent rent protection for all tenants, the New Democratic Party has advocated the extension of rent control to all post-1976 buildings. Under this proposal, the landlord of a new building would set an initial base rent that would provide a reasonable return and reflect present mortgage costs; subsequent rent increases would be covered under the normal rent review process.[40]

Reduction in Landlord Financing Costs[41]

Another matter of concern is the effect of decreasing mortgage interest rates upon controlled rents that were set when mortgage costs were higher. The Residential Tenancies Act makes no provision for the review of rents to reflect reduced costs to landlords. The New Democratic Party has called for automatic review of rents at the end of mortgages. Between April 1981 and September, 1982, Ed Philip, a New Democratic MPP, introduced private member's bills to amend Section 131 of the Residential Tenancies Act to allow the Residential Tenancy Commission to reduce rents

where a landlord's financing costs were reduced. It now appears that this issue will be examined during the rent review inquiry which was established in mid-November, 1982 by the Minister of Consumer and Commercial Relations.

Rent Review and the Provincial Restraint Program

Rent review was also raised in connection with the debate on Ontario's "Wage Restraint and Administered Prices Program" which was announced in September, 1982.[42] Political and tenant concern focussed upon the exemption of rent review from this restraint program. The original intention was for the rent review system to continue with the 6 percent guideline and normal cost pass-through provisions. David Peterson, the Leader of the Opposition, and the Federation of Metro (Toronto) Tenants' Associations, have proposed that permissible rent increases should be fixed at 5 percent during the control year. The New Democratic Party has proposed that a control ceiling, equal to the Consumer Price Index, be imposed on rent increases during the year of control.[43]

However, the much publicized Cadillac Fairview sale of 10,931 rental units in Metropolitan Toronto, and subsequent resales, led to fears of massive rent increases. The sale has led to measures to limit the maximum rent increase due to the pass-through of financing costs arising out of an apartment sale to 5 percent. This limit will remain in effect until the end of 1983.

The Cadillac Fairview Apartment Block Sale

In early November, 1982, Cadillac Fairview, in line with its corporate strategy of disposing of its residential property holdings, finalized the sale of a block of rental buildings, accommodating over 20,000 tenants in Metropolitan Toronto, to Greymac Credit Corporation for $270M. In subsequent reported resales to Kilderkin Investments for $312M and to a group of numbered companies, reportedly involving Saudi investors, the price of these properties escalated to an estimated $500M and fears arose over the magnitude of rent increases that would be passed through to tenants under Ontario's rent review system. Although some real estate industry investment analysts, such as Ira Gluskin, doubt that the price escalated to such a degree there are apparently additional concerns about the actual price paid, terms of the sales, and actual ownership of these properties.[44] Other outstanding questions include the amount of equity put up by the domestic and/or foreign owners of these buildings, the interest rate on outstanding mortgages, and the amount of return expected on this investment. These factors could affect the rent increases which are requested and may become more accurately known during future rent review hearings associated with the affected properties.

As a result of this apparent large-scale "flipping" of a substantial block of Toronto's rental housing stock, plus rumours of other large pending sales, proposals were made for the modification of Ontario's rent review system. Some analysts, such as Frank Clayton Research Associates, believe rent controls which restricted Cadillac Fairview's returns on its rental housing portfolio contributed to this sale. The new owners likely expect to pass-through increased costs via the normal rent review route.[45]

During the public and political debate on this sale, proposals were made to amend the Interpretation Guidelines of the Residential Tenancy Commission to extend the pass-through period for rent increases from 3 years to 5 or 10 years. These Guidelines also allow for up to 85 percent of the purchase price of a rental property to be considered in the pass-through of financing costs.[46] In order to relieve the burden on tenants and increase the equity and financial commitment which developers must make in purchases, it was also proposed that this percentage be reduced to 75 percent of the purchase price.

In response to these sales and the expected pressure on rents, the Federation of Metro Tenants' Associations, emphasized that maximum rent increases be fixed at 5 percent. Paul Godfrey, the Metropolitan Toronto Chairman, suggested that the province appoint a "rental housing czar" to coordinate the development of rental housing. A program of this nature, however, would likely require massive public housing subsidies. The Ontario Liberal Party called for a legislative review of these apartment sales. The New Democrats stated that a speculation tax should be applied to an apartment building resale that occurs within five years of a previous sale.[47]

Other proposals suggested that the government should have purchased, or assisted tenants to purchase, these apartments and possibly operated this rental accommodation as non-profit or cooperative housing.[48] Such a purchase arrangement would be a significant departure from existing housing programs which concentrate on offering financial incentives to private developers to construct rental units. If the government sought to purchase existing buildings, there would be concern that a fair price was paid. However, it is likely that the cost of such a purchase would be less than the cost

of building new units. It has been estimated that the Cadillac Fairview units initially sold for an average of $25,000 per unit and that it would cost from $70,000 - $90,000 to replace these units at current prices. Existing units would also be located in established neighbourhoods, in more central locations, as compared to new buildings which would be concentrated in suburban areas. A purchase program, however, might result in some negative backlash by residents of existing neighbourhoods, who might resent such "public housing". In addition, the purchase of existing units would not add to the overall rental housing stock.

Moreover, in view of the apparent modest initial per-unit selling price of the Cadillac Fairview units, Robert Campeau, Chairman of the development company, Campeau Corporation, suggested that it would have been desirable to offer these apartments for sale as condominiums to existing tenants and others.[49] Such a conversion, however, would have required the individual marketing of these units which would have increased the time to complete the sales, and probably led to a marginally higher offering price than through a block sale. In addition, the amendment or relaxation of municipal restrictions upon condominium conversions to protect tenants during current low vacancy rate conditions would have been required.

On November 16, 1982, the Minister of Consumer and Commercial Relations, announced the government's response to the sale. Limits were placed on rent increases for financing on the sale of a building to 5 percent for applications to the Commission made after October 31, 1982.[50] This provision applies on an interim basis until the end of 1983. Other cost pass-through factors would be considered during the normal rent review procedures under Section 131 of the Act. The cost pass-through period for rent increases due to

increased financing costs attributed to a sale was increased to five years from three. A system was also developed to defer rent increases related to the resale of a rental property within three years of its original acquisition.

A public inquiry was established to review and make recommendations on the rent review system. This inquiry will examine the establishment of a rent registry to ensure that landlords do not raise rents above permitted control levels, usually when units change hands. A rent registry, for example, has been advocated by the Federation of Metro Tenants' Associations.[51] The inquiry may also make recommendations on other measures to assist in providing accommodation at fair rents.[52] As a result of this inquiry, the government plans to introduce comprehensive legislation revising Ontario's rent review system in the fall of 1983.

This government announcement generated a generally positive response from tenants and some adverse response from landlord-development industry interests. Some political concern, however, has arisen over the powers and terms of reference of the inquiry.[53] On balance, however, it seems that these measures strengthen the structure of rent review in Ontario. Continued public and political attention will likely focus on the ultimate results of this inquiry process.

Footnotes

[1]Brian Bucknall, "Rent Review in Ontario," Housing and People 8 (Fall-Winter 1977): 8-12; Residential Tenancy Commission, Report to the Minister 1979 and Report to the Minister 1979-80.

[2]Richard Furness, "6% ceiling on rents stays in new landlord-tenant law," Globe and Mail, 22 June 1979; Gord McNulty, "Rent hikes frozen at 6%," Hamilton Spectator, 22 June 1979.

[3]Rick Haliechuk, "No change in rent guideline during curbs," Toronto Star, 25 September 1982.

[4]Richard Arnott, Rent Control and Options for Decontrol in Ontario (Toronto: Ontario Economic Council, 1981), p. 5.

[5]These estimates are based upon data provided by the Policy and Program Secretariat of the Ministry of Municipal Affairs and Housing.

The estimated 11,000 luxury rental units may contain some units that were built after 1976 and which may also be recorded in the post-1976 private rental stock estimate figure of 72,000.

[6]Jim Emmerson, "Economist urges end to rent controls," Toronto Star, 21 October 1982.

[7]Hamlin Grange and Wendy Darroch, "Higher rent ceiling would be landlords' joy, tenants' gloom," Toronto Star, 10 September 1981.

[8]Pat McNenly, "Majority against easing controls on rents; Poll," Toronto Star, 3 April 1982; and "Support growing for rent controls Star poll finds," Toronto Star, 4 July 1982.

[9]David Crane, "Ontario's strict rent controls have outlived their usefulness," Toronto Star, 22 April 1982; Susan Sampson, "Rent Wars! Head-on Collision in Rent Control Debate," Real Estate News, 25 September 1981.

[10]Federation of Metro Tenants' Associations, "Brief to the Neighbourhoods Committee (City of Toronto) Regarding Our Petition Addressed to Premier William Davis on the Subject of Rent Review," September 17, 1981, pp. 1-2.

[11]Residential Tenancies Commission, Report to the Minister 1981-82.

Appendix A contains additional statistical data on the decisions of the Residential Tenancy Commission.

[12]Ontario, Legislature, Debates, Official Report (Hansard), Thirty-Second Parliament, Second Session, September 28, 1982, p. 3832.

[13]"Housing plan [in Alberta] will get $200 million," Globe and Mail, 3 October 1981; Henry Mietkiewics, "Alberta kills rent controls but Ontario stands firm," Toronto Star, 5 July 1980; "Shortage of housing makes some workers wary of move to Calgary," Globe and Mail, 21 September 1981.

[14]Ontario, Ministry of Municipal Affairs and Housing, The Impact of Rent Review on Rental Housing in Ontario: A Staff Research Report, July 1982, p. 128.

[15]Ibid., p. 121.

[16]"Real estate association opposes rent control," Toronto Star, 30 October 1982.

[17]Impact of Rent Review in Ontario, pp. 5-6.

[18]George Fallis, Housing Policy for the 1980s (Toronto: Ontario Economic Council, 1981), 18.

[19]Arnott, Rent Control in Ontario, p. 121.

[20]Carolyn Green, "Rent controls at root of apartment scarcity," Financial Post, 30 January 1982; Pat McNenly, "Phase out rent controls economic council urges," Toronto Star, 13 January 1982; "Rent report draws both blasts, praise," Toronto Star, 13 January 1982.

[21]Lawrence B. Smith, "A solution to the lack of rentals: end controls," Globe and Mail, 21 January 1981; Lawrence B. Smith and Peter Tomlinson, "Rent Controls in Ontario: Roofs or Ceilings?," Journal of the American Real Estate and Urban Economics Association 9 (Summer 1981): 93-114.

[22]Smith, "End controls".

[23]Impact of Rent Review in Ontario, pp. 103, 106 and 128.

[24]Ibid., p. 121.

[25]Ontario, Expendiure Estimates 1982-83, Volume 2 - Justice Policy Field, p. J33.

[26]"Flimsy case against rent control," Toronto Star, 7 August 1982; Colin Lay, Rod Manchee and Tim Woods, "The Ottawa Carleton Federation of Tenants Associations' Review and Rebuttal of the Ontario Ministry of Municipal Affairs and Housing Staff Research Report The Impact of Rent Review on Rental Housing in Ontario," October 20, 1982, pp. 3-4 and 14.

[27]"Flimsy case against rent control".

[28]Rosemary Speirs, "Rent control review started by Ontario," Globe and Mail, 23 April 1981.

[29]Michael Tenszen, "6% limit on rent rise to be increased," Globe and Mail, 9 September 1981.

[30]Ken MacGray, "Rent controls to stay until 1985 -- Davis," Toronto Star, 10 September 1981.

[31]Denis Grayhurst, "Bennett would tie the rent hikes to inflation rate," Toronto Star, 3 October 1981; Bruce Stewart, "Rent ceiling will top 9% Kerr predicts," Hamilton Spectator, 13 July 1982.

[32]"Davis may allow bigger rent rises," Toronto Star, 22 April 1981.

[33]Prince Edward Island, Rent Review Act - Amendment to Regulations, October 1982.

[34]"6-per-cent limit on rents won't be increased: Elgie," Toronto Star, 18 March 1982; "No change in guideline during curbs."

[35]Robert Duffy, "Rent controls: Davis can't let go of tiger's tail," Toronto Star, 21 November 1982.

[36]Michael Prentice, "Ontario to raise rent-hike ceiling," Ottawa Citizen, 12 February 1982.

[37]Ontario, Legislative Assembly, An Act for the Protection of Residential Tenants - Bill 181, Private Member's Bill, First Reading, September 23, 1982.

[38]David Crane, "Ontario's strict rent controls have outlived their usefulness," Toronto Star, 22 April 1982.

[3] 'Economist urges end to rent controls."

[40]Ontario, Legislative Assembly, Debates, Official Report (Hansard), Second Session, Thirty-Second Parliament, May 6, 1982, pp. 1498-1500.

[41]Jack Ferguson, "Tenants not likely to share in savings on mortgage rate," Globe and Mail, 16 November 1982; Ontario, Legislative Assembly, An Act to amend the Residential Tenancies Act - Bill 30, Private Member's Bill, First Reading, April 30, 1981; An Act to amend the Residential Tenancies Act - Bill 54, Private Member's Bill, First Reading, April 8, 1982; An Act for the Protection of Residential Tenants, Private Member's Bill, First Reading, September 23, 1982; Ontario, Ministry of Consumer and Commercial Relations, "Statement to the Legislature by the Honourable Robert Elgie, Minister of Consumer and Commercial Relations," 16 November 1982, p. 10.

[42]Ontario, Ministry of Treasury and Economics, "Ontario Government Wage Restraint and Administered Prices Program - An Overview," September 21, 1982.

[43]"5% rent ceiling urged," Globe and Mail, 3 November, 1982; Jeanie MacFarlane, "Elgie nixes rent freeze," Toronto Sun, 26 October 1982; An Act for the Protection of Residential Tenants, 23 September 1982;

[44]Eric Starkman, "Apartment deal: Saudis minor owners sources say," Toronto Star, 26 November 1982 and "Saudis didn't pay $500 million: Analyst," Toronto Star, 13 November 1982.

[45]"Did Rent Controls Lead to the Cadillac Fairview Sale?," Canadian Housing (Toronto: Clayton Research Associates Ltd., November 1982).

[46]Residential Tenancy Commission, Interpretation Guidelines, "Guideline No. RR-4, Financial Loss," p. 2 and "Guideline No. RR-2, Financing Costs," p. 6.

[47]John Ferri, "Inquiry demanded into apartment sale," Toronto Star, 11 November 1982; Ontario, Legislature, Debates, Official Report (Hansard), Second Session, Thirty-Second Parliament, October 28, 1982, p. 4645; Walter Stefaniuk, "Elgie promises reforms to protect tenants," Toronto Star, 12 November 1982.

[48]John Picton, "Plan would let tenants buy Cadillac units," Toronto Star, 1 November 1982.

[49]Patricia Lush, "Campeau feels house prices could be cut by 25 per cent," Globe and Mail, 11 November 1982.

[50]"Statement to the Legislature by the Honourable Robert Elgie," 16 November 1982.

[51]Jim Emmerson, "75,000 rents raised illegally, group fears," Toronto Star, 18 November 1982; Federation of Metro Tenants' Associations, "Brief of the Hon. Gordon Walker, Minister of Consumer and Commercial Relations," 5 February 1982, p. 6.

[52]Minister of Consumer and Commercial Relations, "Terms of Reference for an inquiry into the Existing Laws Regulating Rents," November 26, 1982, p. 2. This document appears in Appendix B.

[53]Pat Crowe, "Limit set on rent increase when apartment resold," Toronto Star, 17 November 1982; Patricia Orwen, "Landlords might desert apartments Ontario warned," Toronto Star, 18 November 1982; "Public probe of apartment sale is urged," Toronto Star, 21 November 1982.

APPENDIX A

AVERAGE RESULTS OF RENT REVIEW HEARINGS - ONTARIO 1976 - 1982

YEAR	TOTAL NUMBER OF RENTAL UNITS SUBJECT TO HEARINGS	NUMBER OF HEARINGS	AVERAGE % RENT INCREASE REQUESTED	AVERAGE % RENT INCREASE GRANTED (% DIFFERENCE BETWEEN INCREASE REQUESTED & GRANTED IN BRACKETS)		CONSUMER PRICE INDEX FOR CANADA (% INCREASE OVER 12-MONTH PERIOD)[d]	% INCREASE IN HOUSING COMPONENT OF CONSUMER PRICE INDEX OVER 12-MONTH PERIOD[d]
1976	131,455	7,317	19.6	12.6	(7.0)	5.8	10.0
1977	39,219	3,541	18.4	12.5	(5.9)	9.5	8.6
1978	40,949	2,808	15.7	9.7	(6.0)	8.4	7.3
1979 (up to Dec. 1, 1979)[a]	18,370 (20,040)[c]	1,428 (1,558)[c]	17.4	11.2	(6.2)	9.8	6.8
1979-80 (Dec. 1, 1979 - Mar. 31, 1980)[b]	19,469 (58,407)[c]	609 (1,827)[c]	14.3	10.7	(3.6)	n.a.	n.a.
1980-81 (up to Mar. 31, 1981)	42,377	1,404	15.7	11.5	(4.2)	12.4	11.0
1981-1982 (up to Mar. 31, 1982)	82,651	2,751	19.3	14.7	(4.6)	11.6	14.0

Sources: Residential Tenancy Commission, Report to the Minister 1979; 1979-1980; 1980-1981; and 1981 -1982.

[a]The 1979 statistics represent results from rent review hearings held under the Residential Premises Rent Review Act. This statute was in effect for rent increases prior to December 1, 1979.

[b]The 1979-80 statistics represent the results of "whole building" rent review hearings held under the Residential Tenancies Act for increases taking effect on or after December 1, 1979 up to March 31, 1980.

[c]Estimated rate for 12-month period.

[d]Statistics Canada data for the December to December period for 1976 through 1979 and for the March to March period for 1980-81 and 1981-82.

TERMS OF REFERENE FOR THE ONTARIO GOVERNMENT RENT REVIEW INQUIRY - NOVEMBER 1982

Nov. 26, 1982 TERMS OF REFERENCE ANNOUNCED

Dr. Robert Elgie, Minister of Consumer and Commercial Relations, today announced the terms of reference for an inquiry into the existing laws regulating rents.

The inquiry, which was announced by Dr. Elgie in the Legislature Nov. 16, 1982, will be conducted by Stuart Thom, formerly treasurer and now a life-time bencher of the Law Society of Upper Canada.

Mr. Thom was appointed, under the provisions of the Public Inquiry Act:

1. To examine, study and inquire into the laws of Ontario, including the statutes and regulations passed thereunder affecting residential tenancies in Ontario for the purpose of determining,

   a) the equity of the current system of rent review, having regard for the rights and interests of both the landlord and the tenant;

   b) the effect of rent review on the level of rental rates and the supply of residential accommodation in the province;

   c) whether a more expeditious procedure should be applied to the review and decision-making process of the Residential Tenancy Commission in view of the issues being raised, the rights of appeal and the need for timely decisions;

   d) the appropriate amendments required in the Residential Tenancies Act, having regard for the decision of the Supreme Court of Canada in respect thereto;

   e) the advisability of integrating the Landlord and Tenant Act with the provisions for rent review as was contemplated by the Residential Tenancies Act prior to the decision of the Supreme Court;

   f) any other changes in such laws, procedures and processes necessary and desirable to provide for fair and equitable treatment of landlords and tenants under a system of rent review.

2. To recommend such changes in the laws, procedures and processes as in the opinion of the Commissioner are necessary and desirable to provide for the fair and equitable treatment of landlords and tenants under a system of rent review;

3. To recommend what measures, in addition to rent review, the Province of Ontario might take to assist in providing rental accommodation at fair rents.

Mr. Thom has the authority to engage counsel, expert technical advisors and other staff. The ministry of the Attorney General will be responsible for providing administrative support to the inquiry.